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SECOND THOUGHTS ABOUT DEBT SWAPS

Deals that support development in third-world countries are used by many American non-profits, but some groups have doubts

By STEPHEN G. GREENE

WHEN THE FIRST "debt-for-development swaps" were made a decade ago, proponents hailed them as an ingenious new mechanism to help developing countries make needed social improvements while conserving scarce hard-currency reserves and chipping away at their foreign-debt burden. Now some non-profit leaders are beginning to wonder whether the deals are such a good idea.

In the swaps, American non-profits buy foreign debt at a discount and use it to finance projects in the debtor country. U.S. non-profits as varied as Africare, Harvard University, the Nature Conservancy, Save the Children, and World Vision International have used debt conversions to help finance programs ranging from agriculture, educational scholarships, and family planning to nutrition, scientific research,



Debt swaps are being used to help preserve rain forests like this one in the Cayambe Coca Ecological Reserve in Ecuador, but some critics are raising new questions about the technique.

and preservation of biological diversity in developing countries around the world. The participating countries range from Bolivia to Bhutan, Poland to the Philippines, but most are in Africa and Latin America.

Non-profits that promote such debt conversions see themselves standing at the threshold of an excit-

ing era. They expect the relatively small number and scale of the transactions so far—estimated to total somewhat more than \$300-million, according to the Debt-for-Development Coalition—to be dwarfed by a succession of bilateral deals negotiated between creditor and debtor nations.

"I think debt swaps are here to stay," says James Nations, vice-president for Latin American programs at Conservation International. "I think they're great as the way to generate money to finance activities and, as they are expanding, they are getting better because we know how to do them better."

Challenge from 'Liberation Theology' Adherents

Yet the growing popularity of debt conversions has generated opposition in some quarters. For several years, some Roman Catholic adherents of "liberation theology" have challenged the justice of forcing impoverished nations to pay significant fractions of their national income to wealthy foreign creditors. More recently, some non-governmental organizations in Latin America have expressed reservations about debt-for-nature swaps in particular and called for a moratorium on future transactions until more comprehensive discussions of the overall debt problem take place.

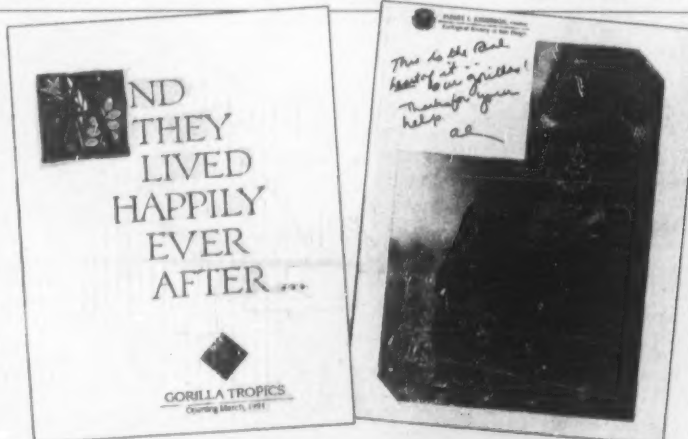
The thinking at some U.S. non-profits is evolving, as well.

"A lot of folks are having second thoughts" about debt swaps, says Michael Clark, who stepped down this year as president of Friends of the Earth. "Many of us thought they would be a great way to transfer

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Award-Winning Direct Mail

This direct-mail piece (above) for the Zoological Society of San Diego brought in 73 per cent more donations than needed and won a 1991 Echo Award. For more on the winners, see Page 26.

Solution: Make More Money

To survive in the 90's, health and social-service organizations must expand their money-making operations and manage more efficiently, say leaders of some of the nation's biggest charities. Story on Page 31.

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About the Environment

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About Managing Non-Profits

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Of Special Interest to Board Members

- 15** Charities that want to recruit volunteers among minorities were told that they should first make sure that they have some members of those groups on their boards.
- 31** Non-profits need to expand their money-making operations, charity leaders say, but they often encounter resistance from board members.
- 32** The IRS has proposed new rules that would exempt board members from paying taxes on the value of liability insurance taken out for them by non-profits.

About Grant Makers

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- 8** Corporations give too much money to support liberal causes, says a new report from the Capital Research Center.
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- 9** IBM will make grants to colleges for management education.
- 9** The Lila Wallace-Reader's Digest Fund has a new program to aid theaters.
- 9** A California real-estate company is under attack for making contributions to local schools contingent on approval of its projects.
- 40** Foundations interested in the AIDS issue should look at helping employers cope with the disease, says a former foundation official (My View).

Also In This Issue

- 39 Books:** Summaries of new books on philanthropy, fund raising, and non-profits.
- 35 Regulations:** A schedule of federal rules affecting non-profits to be issued in the months ahead.
- 35 Bills:** Legislation in Congress of interest to non-profits.

Corrections

► Because of incorrect information supplied by the Council for Aid to Education, an article about the council's new report on corporate giving in 1990 (October 22) inaccurately described the distribution of donations. Civic and community activities received 13.1 per cent of contributions, while arts and culture projects received 12.6 per cent.

► A table showing the Foundation Center's breakdown of how grants are distributed (October 8) should have noted that the dollar figures were provided in thousands. Information in that table, as well as data about the country's largest foundations, were based on figures from 1989.

Debt-for-Development Swaps Gain Popularity but Also Draw Some Doubts



George Ann Potter: "If you participate in a debt swap, you are selling your moral authority to speak out on the issue of the debt crisis."

Continued from Page 1

capital from the North to the South, and to leverage resources for environmental conservation. But I think their attractiveness has declined as people know more about them."

Buy Cheap, Sell High

Private foundations underwrote the earliest swaps, and some are now backing projects to promote their use. (See story on Page 12). Later grants have come from a few commercial banks and multinational corporations and from the federal government—primarily the U.S. Agency for International Development. Now, the Bush Administration's Enterprise for the Americas Initiative would extend the concept beyond commercial debt to include sovereign (nation-to-nation) debt as well.

For all their financial sophistication, debt swaps embody a simple principle for American non-profits: Buy cheap in hard currency, sell high in local currency.

That is possible in developing countries that, having accumulated massive external debts to commercial lenders in the United States, find it difficult to pay interest, much less repay the principal, on those loans. Those debts therefore have a value on the secondary market substantially lower than their face value, sometimes trading for as little as 15 cents on the dollar.

Debt swaps take advantage of that disparity. An American non-profit can buy discounted external debt on the secondary market, and exchange it for local currency—ei-

ther cash or a bond valued at or near the debt's original face value. Proceeds are used to finance projects of interest to the non-profit, to the country's government, and (in most cases) to a local, non-governmental partner.

The swaps' advocates say all parties benefit: The developing country holds on to hard currency that it otherwise would have paid to an overseas bank; the local organization gets additional resources; the bank recovers a portion of its loan and clears its books of the debt; and the American non-profit can realize a significant dividend—buying, for example, the equivalent of \$1-million in local currency for an investment of \$500,000 to pursue its mission, in a country where commercial debt sells for half its face value.

Such conversions are being used in efforts to help create or strengthen the management of national parks in Bolivia, Costa Rica, Ecuador, and Madagascar; to preserve prime alligator habitats in the Dominican Republic; and to endow the Philippine Foundation for the Environment. Those and similar projects, their advocates say, are playing crucial roles in the battle to preserve the world's biological diversity and to lengthen and improve the lives of some of the world's poorest people.

Participants acknowledge that not all projects have been equally successful. Some of the first debt-for-nature swaps provoked ill will in a number of countries when local residents were left out of the negotiations, or when timber and oil in-

terests were accommodated at what some thought was the expense of the putative preserves.

Proponents of swaps contend that the debt conversion itself is only a financial mechanism and is independent of how well the project itself is conceived and executed. The hard lessons of the early projects, they say, have not gone unheeded.

"Most of the money was staying in La Paz, paying for people in high heels to drive around town," says Mr. Nations of Conservation International's first swap, which was intended to help Bolivians manage the BENI Biosphere Reserve, the first plot of land to be protected by a debt swap. "Now our money goes directly to the indigenous groups and to the park guards on the ground."

Charges of 'Eco-Imperialism'

Still, growing controversy over debt swaps increasingly has divided American non-profits, particularly those doing development or conservation abroad. The wide-ranging debate points to issues likely to be expressed with increasing volume and frequency during preparations for the United Nations Conference on the Environment and Development, scheduled for Rio de Janeiro next June. These include charges of "eco-imperialism" by industrialized countries, challenges to the legitimacy of much external debt, and promotion of a counterbalancing "ecological debt" owed to developing countries by industrialized ones.

Criticism of debt swaps ranges

Some Foundations Back Projects to Promote Use of Debt Conversions

While few American foundations have executed debt conversions themselves, several grant makers played a role in getting the first ones started. Now others are financing projects to promote the use of debt swaps and to evaluate their success—or even using them to support their own grant-making programs.

The Pew Charitable Trusts may soon commission an evaluation of debt swaps, looking at how they have been handled by a variety of organizations in several countries around the world. Many non-profits in the United States have bought debts that foreign governments incurred, in exchange for a promise that the country will take a particular action, such as saving a rain forest. Officials at Pew want to assess to what degree the claims of the promoters and the fears of the detractors appear to be justified, and to determine what use of swaps might be most appropriate.

The John D. and Catherine T. MacArthur Foundation this year committed \$300,000 over three years to establish a debt-swap support center in Costa Rica. The center will provide training and technical assistance to people from across Latin America interested in pursuing debt-for-nature transactions. Directed by Alvaro Umaña, Costa Rica's former en-

vironment minister, it is based at the Central American Institute for Business Administration in San José.

"It's premature to say that debt swaps are good, bad, or indifferent on the basis of the few experiences so far," says Dan Martin, director for world environment and resources at MacArthur. "The experiences of the early commercial debt swaps don't tell us very much about their potential for the longer term, or how trust funds, designed to generate interest for 30 years and be controlled by people in the countries that incurred the debt, are going to do."

Part of Bush Initiative

Such environmental trust funds would be established as part of the Enterprise for the Americas Initiative being promoted by the Bush Administration as a way to reduce debts owed by Latin American countries to the United States.

In another indication of MacArthur's interest, earlier this year it made grants to support the efforts of three conservation organizations engaged in arranging swaps. Over the next three years, it has committed \$150,000 each to the Nature Conservancy and the World Wildlife Fund and \$120,000 to Conservation International

for their work on debt-for-nature swaps.

The Ford Foundation and the Rockefeller Brothers Fund have provided major support for the Fund for Private Assistance in International Development, which pioneered debt-for-development swaps involving Turkey, Nigeria, and Zambia in the early 1980's. PAID has since helped more than 70 non-profits in the United States and abroad carry out transactions involving the sale and donation of debt or "blocked currency"—funds that multinational corporations own but are barred from removing from a particular country.

Debt-for-nature swaps also got an early boost from the Frank Weeden Foundation, which underwrote the earliest efforts with \$100,000 grants to Conservation International, the New York Zoological Society, and the World Wildlife Fund in 1987.

Alan N. Weeden, the foundation's president, said that early participants in the swaps felt that only by demonstrating with private funds that such transactions were feasible could governments be persuaded to replicate the process on a larger scale.

"I'm a little surprised that more use hasn't been made of debt-for-nature swaps by private NGO's [non-governmental organi-

zations]," Mr. Weeden said. "I am also a little disappointed that national governments haven't used them more often in getting environmental moneys down to third-world governments. We all thought it would take off and bring the governments in to do mega-swaps."

Clark to Limit Its Role

The Edna McConnell Clark Foundation has supported studies of how debt swaps might be used to finance health programs in developing countries. For example, the foundation co-sponsored a conference in August on debt-for-development issues, and also financed the work of an international Commission on Health Research for Development that examined the issue.

The Clark fund's own health interests in developing countries focus on three tropical diseases, none of which is endemic in countries with external debt suitable for conversion—so its further participation will probably be limited, says Jeffrey W. Mecskey, associate for tropical-disease research at the foundation.

The Rockefeller Foundation, by contrast, has used debt swaps to finance its health-science programs in Mexico. This year it bought \$1.5-million in Mexican debt for 7.6 billion Mexican pe-

sos—thereby receiving nearly 50 per cent more than it would have obtained in a simple currency conversion.

Ken Browndorf, senior accountant at Rockefeller, notes that the deal took nearly a year to negotiate. In that time the market price of Mexican debt rose substantially. No similar swaps are now in the works, he says.

The Ford Foundation, while it has supported non-profits that negotiate debt swaps, so far has been hesitant to get more directly involved in such transactions—primarily because of its reluctance to become too closely tied to the interests of foreign governments.

"The value to society of a foundation is that it can operate with groups and on subject matters that governments find difficult to deal with," noted Thomas J. Trebat, Ford's regional director for Latin America. "If the mechanics of debt swaps require foreign funders to seek government approval, not only does the foundation lose some of its independence, but society loses an innovative force. It can skew the nature of your grant making toward the safer, more predictable organizations, causing foundations to be more cautious, and possibly less useful to the host country."

—STEPHEN G. GREENE

from the practical to the philosophical.

In practice, such transactions can be complex, and costly to execute—with few guarantees of ultimate success. And as commercial lenders have gained confidence in the economies of many developing countries, the cost of many countries' debts on the secondary market has risen, making debt conversions there less rewarding.

A common reservation is that such transactions, by releasing local currency into a nation's economy, fuel inflation. Citing that fear, central banks in several countries have halted or limited debt conversions—both the far more common debt-equity transactions performed by corporations and the swaps negotiated by non-profits.

Concern Over Skewed Priorities

Some people object that swaps skew a developing country's domestic priorities. Forcing debtor nations to spend scant resources to further the agendas of non-governmental organizations in industrialized countries, they charge, smacks of neo-imperialism.

Indeed, the impression left by some conversions, says Mr. Clark, is that "here are wealthy governments or NGO's putting pressure on southern countries that are strapped for cash to make short-term decisions without looking at the long-term implications."

Some critics see debt conversions as essentially anti-democratic. They often force organizations in a developing country "to take on the agendas of folks trying to catalyze grants from outside the country," says Tani Adams, Greenpeace International's coordinator for Latin America.

Because resources from a debt swap greatly multiply the resources passing through Latin American conservation groups, few of which have budgets anywhere near \$1-million, they can upset a delicate balance within a fledgling environmental movement, Ms. Adams says.

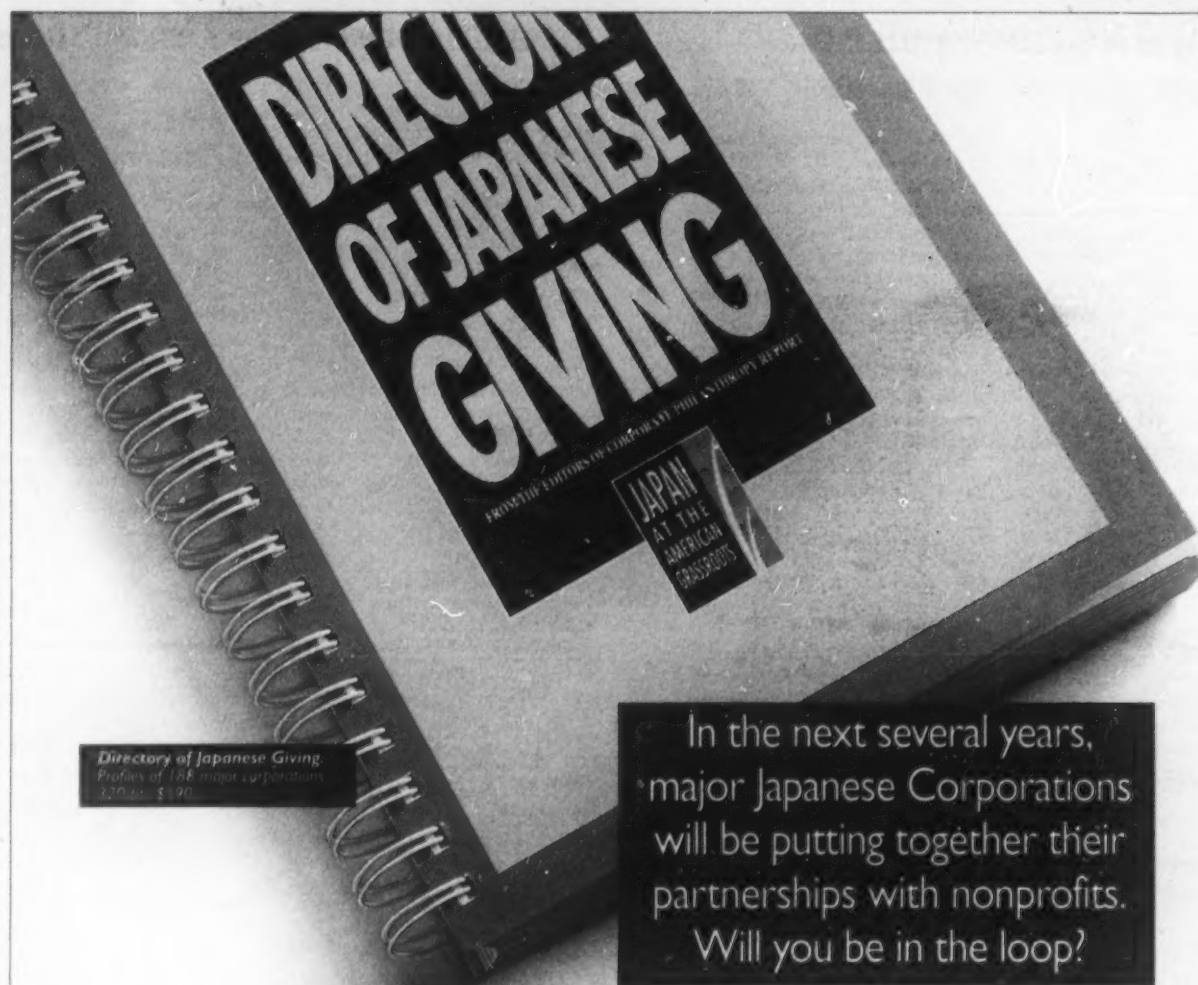
"In one country, all of a sudden, a group getting a whole lot of money through debt swaps becomes the major actor, whereas before there was a more even skyline of groups," she says. "The decision about who's the biggest, most powerful group obeys a dynamic operating outside the country."

Who Sits at the Table

Other critics focus on who sits—or does not sit—at the table where the transactions are negotiated. Says Mr. Clark, the former Friends of the Earth president: "We at FOE grew increasingly concerned about the fact that indigenous peoples were often excluded from these deals. We felt it was not appropriate that conservation groups and governments should be negotiating away the rights of those people, who are at the top of the food chain in their ecosystems."

Still others complain that swaps support only mainstream groups whose activities are approved by the government. Many of the most effective groups, which formed in opposition to government policies, are frozen out of the process, they say, and are hard pressed to survive in countries where most for-

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Directory of Japanese Giving
Profiles of 188 major corporations
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Since 1986, Japanese corporate giving has been the fastest rising form of corporate giving in the United States. But there's a dearth of hard information about their giving patterns. What little data there is focuses on foundations of a few well-known corporations, missing at least 85% of total Japanese corporate philanthropy.

To establish relationships with Japanese companies, nonprofits need access to the most up-to-date insider's knowledge regarding what companies are funding, how intermediaries are used to gain access, and which nonprofits are currently receiving funding.

Over the past two years, Corporate Philanthropy Report has put in place an information system consisting of three new publications that meet those needs: the *Directory of Japanese Giving*; *Japanese Corporate Connection*, A Guide for Fundraisers; and *Consultants in Japanese Philanthropy*.

The Story behind the Story.

Starting with available resources, we translated many Japanese publications into English. But we quickly realized nothing of substance existed. So we contacted Japanese companies directly to ask them intimate questions about their giving practices.

It was a monumental effort. One key advantage was that Japanese companies wanted to know about American corporate philanthropy—a field where we're the experts. Sometimes we helped them so they'd help us. In addition, many of the most knowledgeable nonprofit leaders and consultants opened their

files and spent hours recounting their dealings with Japanese companies.

We used business and governmental networks, and combed the Japanese media for news. And we had the assistance of our Japanese partner Dentsu, the giant marketing firm and co-publisher of *CPR Japan*, who dipped into their huge data bases to help.

Was it all worth it? You be the judge. We think you'll agree this ground-breaking information system on Japanese corporate philanthropy is the most important, most useful work to date. These interconnected publications help you find answers to critical questions in the field:

1. Which companies are giving, and who are they funding?

The *Directory of Japanese Giving* digs deep, to help you understand the philanthropic activities of 188 major Japanese companies.

Organized by industry, the *Directory* presents a summary of each company's business activity, up-to-date information on their U.S., Japanese and overseas philanthropic activities, and essential contacts.

2. What's working for successful American nonprofits?

Certain nonprofits have "broken the ice" by establishing direct relationships with Japanese companies. Dozens have told us their war stories and insider how-to's. *Japanese Corporate Connection: A Guide for Fundraisers* describes the five-part process of building true relationships with Japanese companies.

3. Are there bridges between Japanese firms and U.S. nonprofits?

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Debt Swaps Gain Popularity but Also Draw Some Doubts

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foreign environmental support is channeled through debt conversions.

Indeed, those critics charge, debt-for-nature swaps have stanching the flow of hard-currency grants coming into developing countries. Conservation groups that once made outright grants, albeit small ones, for certain projects are now using their money to buy debt from banks in industrialized countries. The diversion of local currency to environmental projects, these critics charge, creates a case of robbing Peter to pay Paul.

Furthermore, participants in debt swaps may forfeit some of their credibility on other topics.

"If you participate in a debt swap, you are selling your moral authority to speak out on the larger issue of the debt crisis," notes George Ann Potter, regional director for Latin America at the School for International Training in Brattleboro, Vt. "We're convinced it's much more damaging to the environment to let this crisis go on," thereby forcing countries to export their natural resources to service their debt while the environment is despoiled in a widening vortex of poverty.

Legitimacy Questioned

More philosophically, some question the legitimacy of the debt itself. They argue that many of the loans went to illegal dictatorial regimes, were used to buy military hardware or for other purposes that did little to enhance popular welfare, and at times entailed usurious interest rates. For those reasons, they contend that such debts in effect have been paid in full.

An increasingly popular argument in Latin America is that any remaining legitimate external debts should be balanced against "ecological debts" incurred by industrialized countries that have exploited third-world natural resources

and produced global environmental degradation.

The Declaration of the Andes, which emerged from a meeting of 220 representatives of Latin American non-profits last spring, called for suspension of all debt-for-nature swaps while national and regional policies on debt issues are elaborated. It called further for a suspension of all debt service payments and negotiations until the principle of ecological debt is accepted and the amounts calculated.

Pedro Tarak of Fundación Ambiente y Recursos Naturales (the Environment and Natural Resources Foundation) in Buenos Aires, says his organization, which helped set up the Andes conference, hopes to secure international recognition for the concept of a tradeoff between ecological debt and financial debt, which could be negotiated through an international debt-management authority.

Participants in a recent conference in Brazil organized by IBASE, the Brazilian Institute for Economic and Social Analysis, also took a strong stand against debt-for-nature swaps. Such transactions, they said in a summary statement, are "part of a more general strategy for converting the debt, reaffirming the creditors' political and economic domination over the debtors within a development model which commercializes life in all its aspects."

Says Candido Gryzbowski, executive director of IBASE: "I view debt-for-nature swaps as an inadequate and illegitimate way of approaching the subject of foreign debt. It seems to me that the creditor banks would be the only beneficiaries."

For these reasons, some American development organizations have been hesitant to endorse or participate in debt swaps.

"We'd like to look at a more fundamental issue: the billions of dollars of debt from loans that were

made that do not ultimately benefit the poor," says Joel Charny, director of overseas programs for Oxfam America. "In the absence of an overall look at the debt issue, and an overall restructuring and possibly some forgiveness of significant amounts of debt, we didn't feel it was appropriate for Oxfam to participate actively in debt-for-development swaps. By participating in this, you're saying this is legitimate debt."

Pragmatic Solutions

Yet partisans of debt conversions contend that, in an imperfect world, they constitute pragmatic, if partial, solutions to massive multiple problems.

Debt-for-Nature Swaps: a Sampling

Date	Country	Purchaser or fund source	Cost	Face value of debt	Conservation funds generated*
January 1991	Costa Rica	Rainforest Alliance, Monteverde Conservation League, The Nature Conservancy	\$360,000	\$600,000	\$540,000
August 1990	Madagascar	World Wildlife Fund	\$445,891	\$919,363	\$919,363
August 1990	Philippines	World Wildlife Fund	\$438,750	\$900,000	\$900,000
March 1990	Costa Rica	Sweden, World Wildlife Fund, The Nature Conservancy	\$1,953,474	\$10,753,631	\$9,602,904
March 1990	Dominican Republic	Puerto Rican Conservation Trust, The Nature Conservancy	\$116,400	\$582,000	\$582,000
January 1990	Poland	World Wildlife Fund	\$11,500	\$50,000	\$50,000
August 1989	Zambia	World Wildlife Fund	\$454,000	\$2,270,000	\$2,270,000
July 1989	Madagascar	World Wildlife Fund	\$950,000	\$2,111,112	\$2,111,112
April 1989	Ecuador	World Wildlife Fund, The Nature Conservancy, Missouri Botanical Garden	\$1,068,750	\$9,000,000	\$9,000,000
April 1989	Costa Rica	Sweden	\$3,500,000	\$24,500,000	\$17,100,000
January 1989	Costa Rica	The Nature Conservancy	\$784,000	\$5,600,000	\$1,680,000
January 1989	Philippines	World Wildlife Fund	\$200,000	\$390,000	\$390,000
July 1988	Costa Rica	Holland	\$5,000,000	\$33,000,000	\$9,900,000
February 1988	Costa Rica	National Parks Foundation of Costa Rica	\$918,000	\$5,400,000	\$4,050,000
December 1987	Ecuador	World Wildlife Fund	\$354,000	\$1,000,000	\$1,000,000
August 1987	Bolivia	Conservation International	\$100,000	\$650,000	\$250,000
Total to Date			\$16,654,765	\$97,726,106	\$60,345,379

* Does not include interest earned over the life of the bonds.

SOURCE: The Nature Conservancy

"Official and commercial creditors are never going to forgive all the debt," says Randall K. Curtis, director of conservation finance at the Nature Conservancy. "There will always be a balance—even if it's restructured on more generous terms. If they can take even part of that in local currency, it's better for them—and if it goes through grassroots groups, that's money they'd never get if the debt were forgiven outright."

What's more, debt transactions can insure a steady source of funds to institutions whose financial support has been tenuous and unpredictable, say supporters.

"One of the tremendous pluses of debt-for-nature swaps is that, if you convert debt to long-term interest-bearing notes, you can introduce stability into places where institutional stability has been absent," notes Thomas E. Lovejoy, Assistant Secretary for external affairs at the Smithsonian Institution, who helped nurture the earliest debt-for-nature swaps. "In Ecuador, the first such swap doubled the budget of the national park service there, and you now have a long-term funding source."

Furthermore, Mr. Lovejoy says, debt conversions have "stimulated creative and entrepreneurial thinking about financing mechanisms in the conservation community," while promoting links between business, government, and conservation groups.

Businessmen in Costa Rica have offered their services to conservation groups, he notes, while conservationists there have gained a greater appreciation for how the country's economic problems affect its natural environment.

"They're learning to speak each other's language," Mr. Curtis observes.

Indeed, some advocates of debt conversions contend that their goal

all along was to establish the feasibility for a mechanism that creditor governments could adapt in reducing some bilateral debt.

"In the last couple of years we've shown that debt-for-nature swaps can work," says Jamie Resor, senior program officer at the World Wildlife Fund. Now the fund and other groups are using their experience to promote long-term support for environmental programs in developing countries, through the establishment of environmental trust funds or endowments to provide grants over many years.

They are also encouraging creditor governments to include debt-for-nature or debt-for-development transactions among the options they consider when restructuring their sovereign debt with debtor countries.

"Bilateral debt has become the new frontier in debt swaps," says Mr. Curtis of the Nature Conservancy. "It's a whole new way of distributing U.S. foreign aid."

A Wide Gulf in Views

Clearly, the wide gulf separating the perspectives of critics and advocates of debt swaps will not be easily bridged.

"Not only must the development model be radically modified, but the concept of 'progress' itself has fallen under suspicion," say the signatories of the Andes Declaration. And the IBASE conference participants say debt conversions are a tool for maintaining foreign domination of developing countries.

But the Smithsonian's Mr. Lovejoy declares: "The only thing that drives me up the wall, given the urgency and scale of our environmental problems, is when there's a major write-off of debt with no provision for the environment."



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Welfare Fund Aims to Shed Insular Image

WASHINGTON

The Public Welfare Foundation here is trying to shed an isolationist image by improving collaboration both with its grant recipients and with fellow grant makers.

To that end, the foundation in the past few months has:

- Instituted a toll-free telephone number to make it easier for grantees, many of which are grassroots organizations perpetually strapped for funds, to call program officers at the foundation.

"We're encouraging grantees to be more in touch with us," explained Larry Kressley, who was named acting executive director of the foundation after the abrupt departure in June of C. Glenn Ihrig as the fund's president and executive director. "We're trying to build a stronger sense of ongoing partnership. We don't want to just pay and run."

- Accelerated payments to grant recipients. Mr. Kressley said the foundation was committed to mailing checks within 30 days of grant approval in most cases, and within 60 days in all cases except those involving multi-year commitments or matching funds.

"We have an obligation to get a maximum return on our investments, and we take that seriously," Mr. Kressley said. "But in the final analysis, we're not a bank. Our responsibility is to get the money out to our grantees."

- Eliminated interim reporting requirements for most year-long grants. "It had gotten to be almost routine that grant payments were split and interim reports required, which created a mountain of paperwork for everybody," said Mr. Kressley. Now, except in cases where such reports are deemed ap-

propriate, they are no longer required.

- Rescinded a proscription against paying dues to affinity groups of the Council on Foundations, which had prevented or discouraged foundation staff members from participating in such organizations.

Mr. Kressley, who said the foundation hoped to work more closely with colleagues elsewhere, was himself elected secretary of the National Network of Grantmakers at the group's annual meeting last month in Tarrytown, N.Y.—the first time he had attended such a session in his nine years at the foundation.

- Stepped up site visits to current and potential grant recipients—including those overseas. Mr. Kressley said his visit to Brazil in April, as senior program officer, represented one of the few times a foundation program officer had traveled abroad on official business. More recently, a program officer, Rebecca Davis, traveled to Africa to meet with groups working on population issues—and Mr. Kressley said that he expected such visits to become more routine.

Established in 1947, the Public Welfare Foundation supports organizations that serve low-income or disadvantaged people in the United States and abroad. Its \$244-million in assets placed it among the 80 largest American foundations last year, when it made 363 grants totaling \$15.4-million in the areas of community support, criminal justice, disadvantaged youth, education, the elderly, environment, health, population, and opposition to crimes of hate or organized bigotry.

The foundation's board is scheduled to act on suggestions for reorganizing grant-making programs when it meets in January. At that time it is also expected to decide on the scope of a search for a new executive director.

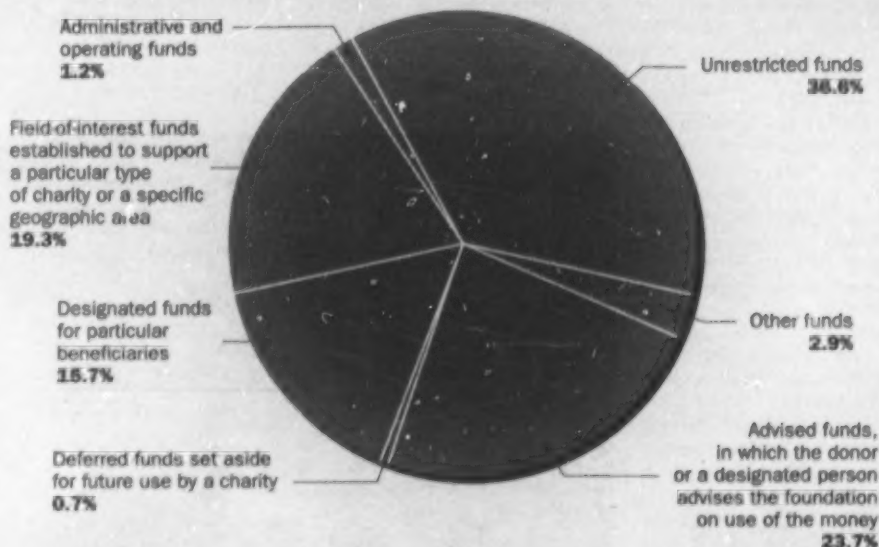
—STEPHEN G. GREENE

Community Foundations: a Statistical Profile

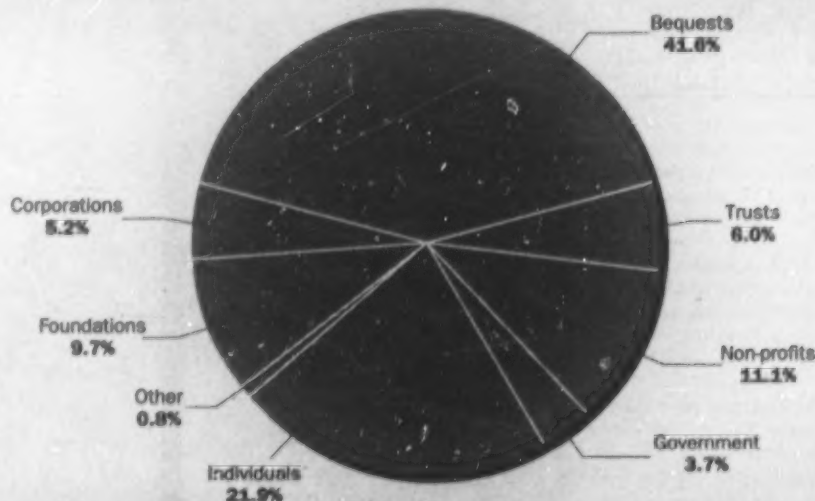
Community foundations are among the fastest growing foundations in the United States. These foundations raise money in local communities, mostly to create endowments that can be used for charitable purposes. This year the Council on Foundations surveyed community foundations and compiled data based on responses from 196 of the funds. Preliminary data from the survey indicated that the proportion of unrestricted assets had fallen while assets limited to certain fields of interest or recipients had increased. Over

all, however, unrestricted funds remained the largest share of the foundations' assets, with 36.6 per cent of the total. Bequests were the largest source of permanent endowment funds held by the foundations, contributing 41.6 per cent. Gifts from living individual donors ranked second, at 21.9 per cent. Human services and education were the leading recipients of grants. The full report of the survey, "Community Foundations in 1991: an Update," will be available from the council in February.

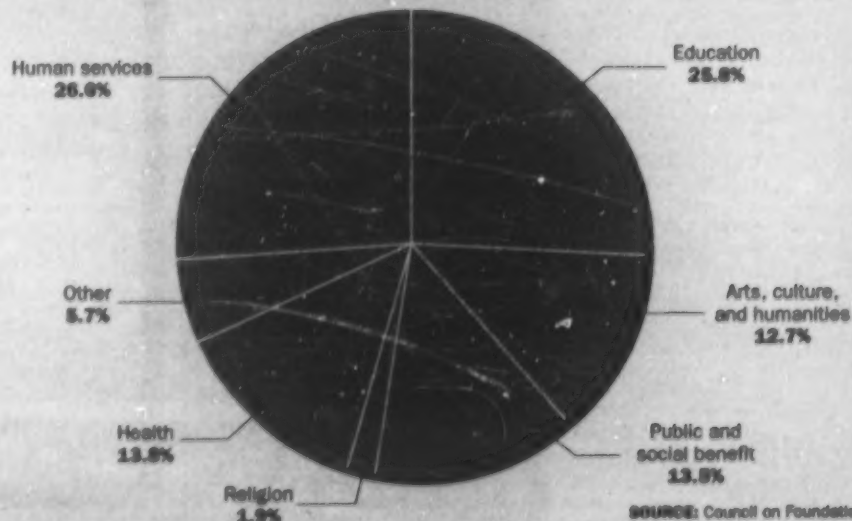
How Assets Are Divided



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Alternative On-the-Job Funds Report Big Gains for 1990

Led by coalitions of arts, environmental, and social-service charities, on-the-job giving drives set up as alternatives to United Way posted broad gains in 1990.

According to data compiled by *The Chronicle of Philanthropy* for 48 organizations that conduct on-the-job campaigns, contributions to EarthShare, a coalition of 27 environmental groups formerly known as the Environmental Federation of America, raised more than \$6.6-million in 1990, a 26-per-cent increase over 1989.

National/United Service Agencies, a federation of 78 social-service groups, raised 24 per cent more in 1990 than in the previous year. The federation's total on-the-job contributions were \$13.2-million, compared to \$10.6-million in 1989.

Arts Groups See Increase

The largest increase in on-the-job donations was posted by arts fund-raising federations. According to a study by the American Council for the Arts, contributions to arts fund-raising federations increased by 31 per cent from 1989 to 1990.

Among 25 united arts funds that reported results from on-the-job drives in both years, giving rose from \$6.4-million to \$8.4-million.

By contrast, the 2,300 local United Ways had a 4.4-per-cent increase from 1989 to 1990. United Ways raised a total of \$3.11-billion—the first time they had ever topped \$3-billion—but the increase was not enough to match the inflation rate, which was 6.1 per cent in 1990.

Federations that raise money for women's groups posted strong increases in 1990. Total revenues for five federations of women's charities were close to \$2-million, a 23-per-cent increase from the 1989 total of \$1.6-million.

Total revenues for social-action funds climbed 12 per cent, the survey found. Eighteen social-action funds had revenues totaling \$5.8-million. Total revenues in 1989 totaled almost \$5.2-million.

Not all the federations of charities recorded substantial increases in 1990. Although only two of eleven Black United Funds reported decreases in 1990 total revenues, the combined total for all Black United Funds grew by less than 1 per cent, to \$5-million in 1990.

William Merritt, president of the National Black United Fund, said payroll donations to the funds had continued to increase in 1990, but that some of the funds had lost other revenues, causing the drop.

Despite the sizable increases in 1990, most leaders of on-the-job fund drives were unwilling to make projections for 1991. Several campaign leaders said the economic outlook was too uncertain.

—BRUCE MILLAR
AND CHRISTOPHER OTT

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- Have you misplaced a change of address notice from an income beneficiary?
- Do you have trouble maintaining more than one address for a beneficiary during the year?
- Are you sure your 1099-RW-2Ps and K-1s are correct?
- Should your beneficiaries be receiving better service?
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Employee Contributions to Non-United Way Funds

	1989	1990	Percentage Increase	Projection for 1991
National Funds				
United Negro College Fund	\$13,100,000	\$13,500,000	3%	\$14,850,000
National Volunteer Health Agencies	37,300,000	38,512,545	3	n/a
National/United Service Agencies	10,600,000	13,180,000	24	14,100,000
International Service Agencies	11,325,699	12,053,504	6	12,300,000
Independent Charities of America	10,400,000	12,420,000	20	14,500,000
EarthShare (formerly Environmental Federation of America)	5,234,290	6,615,414	26	7,484,217
Traditional Local Funds				
United Arts Funds	\$6,400,000	\$8,400,000	31%	n/a
Combined Health Appeals	15,639,114	16,968,058	8	n/a
Local Independent Agencies	500,000	540,000	8	840,165
Other federations	2,500,000	4,100,000	64	n/a

Total Revenue of Non-Traditional Funds

	1989	1990	Percentage from payroll deduction	Projection for 1991
Black United Funds				
1. Brotherhood Crusade, Los Angeles	\$2,139,008	\$1,744,788	55%	n/a
2. Black United Fund of New Jersey	725,395	961,458	76	n/a
3. Black United Fund of Michigan	593,131	622,608	74	n/a
4. Bay Area Black United Fund, Oakland, Cal.	376,000	300,278	40	n/a
5. Black United Fund of Oregon	180,000	220,000	100	n/a
6. Black United Fund of Pennsylvania	178,180	215,123	82	n/a
7. Illinois Black United Fund	71,612	128,130	n/a	n/a
8. United Black Community Fund, St. Louis	72,000	81,000	61	\$81,000
9. Black United Fund of Houston	151,741	71,993	n/a	n/a
10. Arizona Black United Fund	6,444	9,396	n/a	n/a
Black United Fund of New York	Refused to give information			
National Black United Fund	504,000	672,546	45	501,750
Total	\$4,997,511	\$5,027,318		
Environmental Funds				
1. EarthShare	\$5,287,162	\$6,682,337	99%	\$7,484,217
2. Environmental Federation of California	705,345	941,737	90	n/a
3. Environmental Fund of Washington	189,300	215,830	81	n/a
4. Environmental Federation of Oregon	141,000	225,177	93	300,000
Total	\$6,322,807	\$8,065,081		
Social-Action Funds				
1. Northwest AIDS Foundation, Seattle	\$2,105,256	\$2,452,143	8%	3,430,933
2. Cooperating Fund Drive, St. Paul ¹	935,792	925,673	62	n/a
3. Bread and Roses Community Fund, Philadelphia	436,270	382,236	10	360,000
4. Community Shares of Wisconsin ¹	312,801	296,430	86	325,000
5. Fund for Community Progress, Providence, R.I.	293,626	253,901	84	n/a
6. Community Works, Boston	208,725	250,000	n/a	330,000
7. Greater Cleveland Community Shares	136,547	224,739	69	265,000
8. Community Shares, Tennessee	115,666	200,000	51	239,000
9. ACHOICE, Milwaukee	110,000	185,000	97	225,000
10. Massachusetts Foundation for Children	151,313	158,962	75	170,000
11. Community Shares of Colorado	83,531	99,033	54	150,000
12. Enablers/the Caring Connection, Denver ²	45,000	95,000	100	120,000
13. The Progressive Way, Oakland, Cal.	65,273	83,608	48	100,000
14. Community Services Fund, Lincoln, Neb. ¹	68,223	60,492	100	65,000
15. Access to Community Service, Madison, Wis.	65,000	59,500	100	55,000
16. Community Shares, Alaska ¹	39,267	43,147	100	60,000
17. MaineShare	19,575	31,900	22	n/a
18. Community Shares, Utah	357	14,908	88	n/a
Total	\$5,192,222	\$5,816,672		
Women's Funds				
1. Womens Way, Philadelphia ²	\$1,374,231	\$1,534,507	27%	\$1,750,000
2. Women's Funding Alliance, Seattle ¹	138,840	172,275	78	n/a
3. Colorado Domestic Violence Coalition	80,238	142,693	15	150,000
4. Illinois Women's Funding Federation	—	115,000	n/a	200,000
5. Los Angeles Women's Foundation ³	7,602	10,414	n/a	n/a
Total	\$1,598,911	\$1,974,889		

n/a—not available

¹ Revenue figures are for actual money raised and are adjusted for uncollectible pledges. In other cases, total revenue may include pledges of contributions to be collected in following year.

² Net total revenues for fiscal year ending June 30.

³ Receives all payroll deductions through United Way. Total reflects payment of 10 per cent fee to United Way.

Ecology Groups Face Slowdown in Growth

Continued from Page 23

for all staff members making more than \$25,000, and will institute other measures—such as placing visiting out-of-town staff members in private homes rather than paying for hotels—reminiscent of its early years as a low-budget operation.

In another effort to trim costs, *Greenpeace* magazine has been cut from six issues a year to four—and members who don't read it are being asked to weed themselves from the mailing list.

At the National Wildlife Federation, which in January eliminated both its book and school-programs divisions, "we're back on a more even keel, but still very nervous," says John W. Jensen, the federation's vice-president for develop-

"We felt that, while it's nice to have large numbers, that was not important for the way we wanted to do business."

ment. "We clamped down on capital spending and are very cautious with new money."

By dismissing 56 workers in January and not filling 54 additional jobs, the federation was able to meet its revised budget of some \$90-million, says Stephanie C. Sklar, vice-president for public affairs.

"We're now proceeding with our programs, filling positions as they become vacant, and getting on with business," she says.

At the Sierra Club, where about 15 jobs were abolished this year, "we want to believe we've seen the bottom, but we aren't sure," says Joanne Hurley, director of public affairs. The group had hoped to raise some \$43-million this year, but is likely to raise only slightly more than the \$40.6-million it raised last year, she says.

The Wilderness Society is projecting a budget with little or no growth next year, and—after cutting several jobs this year—expects to employ the same number of people a year from now as it did a year ago.

Some Prosper

Other major groups are feeling less of a pinch.

The Environmental Defense Fund, whose market-oriented solutions to environmental problems have found favor within the Bush Administration and in some corporate board rooms, projects total revenue of \$20.8-million next year compared with some \$17.7-million this year—an anticipated increase of 17.5 per cent.

"We see broad growth in all our key areas—individual members,

major gifts, and foundations," says Adam C. Stern, deputy director for operations. "We have a loyal group of supporters that continues to grow." The fund is actively seeking corporate partners for joint-marketing ventures, such as a recent effort in which McDonald's distributed coloring books focusing on rain forests.

With the projected additional resources, the fund is planning to add 15 staff members and to expand both its New York City headquarters and its Washington office—into which its Richmond, Va., office will be consolidated.

The organization is also nearing the end of a three-year, \$7.5-million endowment campaign, which Mr. Stern says is expected to reach its goal by year's end.

The Natural Resources Defense Council raised \$6.25-million in its own successful capital campaign to help pay for its new New York City headquarters, says Mr. Murray, its development director.

The organization expects a 5-per-cent increase in revenue this year over 1990—far short of the 20-per-cent annual pace during the previous five years, but in line with budget predictions, says Mr. Murray. Although salary increases have averaged only about 1 per cent, he noted, several new staff members have joined the council.

Some smaller groups continue to expand rapidly. The Union of Concerned Scientists raised just over \$4-million this year—22 per cent more than in 1990, says its development director, Bob Bland. The number of small gifts from individuals increased by 10 per cent and major gifts rose 13 per cent, but foundation grants nearly doubled, he noted.

Much of its success has come through the mail: The group mailed 43 per cent more pieces this year than last and realized a 66-per-cent surge in returns, says Mr. Bland.

Also doing well in the mail are the American Farmland Trust, which expects total revenues of some \$3.6-million this year, compared with \$3.48-million last year. As it upgrades its development office, it has increased slightly the number and frequency of its acquisition mailings this year.

The most successful direct-mail appeal ever conducted by Defenders of Wildlife was sent in January, and although the organization has since scaled back its mail prospecting for new members, average donations are running about \$6 higher than last year, says Jennifer E. Jones, director of grants and contributions.

Other organizations are exploring new ways to develop support for their activities.

Conservation International, which stopped direct-mail prospecting altogether last year, has tried to cultivate stronger relations with its 30,000 existing members rather than expand that base.

"We're asking them to bring other members on board, to hold events, to be spokespersons for conservation projects—to act very much as our partners," says John Heyl, vice-president for development. Among foundations and corporations as well as individuals, Conservation International is trying to spread the message that "they are making an investment in

Campaign Update				
Status and recent results of drives for endowments and capital improvements				
	Started or announced	To conclude	Goal	Amount raised
American Society for Technion (N.Y.)	Oct. 1990	Sept. 1996	\$250,000,000	\$33,000,000
Graham-Windham Services to Families and Children (N.Y.)	June 1989	June 1992	4,800,000	3,500,000
New England Conservatory (Mass.)	Feb. 1991	Dec. 1995	25,000,000	12,564,086
92d Street Y (N.Y.)	Jan. 1990	Winter 1994	40,000,000	22,000,000
Oberlin College (Ohio)	Jan. 1986	June 1991	80,000,000	94,575,486
Randolph-Macon Woman's College (Va.)	July 1987	June 1992	40,000,000	40,300,000
School of the Art Institute of Chicago	Nov. 1988	Oct. 1991	6,500,000	6,500,000
Seattle University	Oct. 1991	June 1995	55,000,000	35,500,000
Simon Wiesenthal Center, Legacy Campaign (Cal.)	Sept. 1986	1992	10,000,000	7,500,000
Simon Wiesenthal Center, Museum of Tolerance Building Campaign (Cal.)	Nov. 1985	Oct. 1992	50,000,000	43,000,000
St. Barnabas Nursing Home (Pa.)	Spring 1989	Open	4,400,000	3,002,997
University of North Carolina at Chapel Hill	1989	1995	320,000,000	155,000,000

major changes in the future of the world; they are part of a team with us," he says.

More Telemarketing Returns

The organization stopped seeking new members through the mail both because it saw the waste of paper as environmentally unacceptable and because it feared having to spend ever-greater resources to acquire and renew memberships.

"We felt that, while it's nice to have large numbers, that was not important for the way we wanted to do business," says Mr. Heyl. The group, which raised \$10.4-million last year, expects to raise slightly more this year.

At Greenpeace, giving via door-to-door campaigning has been flat, says Ms. Monrean, but returns from telemarketing are increasing. Furthermore, donors reached by canvassing, who have never been particularly responsive to direct-

faithful, long-term people" among foundation supporters.

The organization, which raised \$1,556,000 last year, in June revised its projected 1991 budget downward from \$1,794,000 to \$1,658,000.

As a result, American Rivers has trimmed its travel budget and has been slow to fill a couple of vacant positions.

Selling More Products

The American Farmland Trust plans to step up sales and promotion of the food products that it sells through marketing arrangements with the family farmers with whom it works.

"That's not a big income item for us now, but it could be," says Ka-

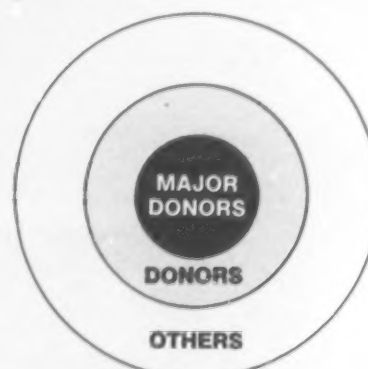
ren Kress, director of development and communications. "It makes so much sense for us as an organization."

Also plowing new financial ground, the Wilderness Society, has received its first grant from the U.S. Agency for International Development. The money will support the society's efforts, in conjunction with Harvard and Princeton Universities, to help Bolivia manage its forested land.

The society also is working on joint marketing ventures with Timberland, the footwear and clothing company, that "would enable us to do additional public education that would otherwise cost us hundreds of thousands of dollars," Mr. Frampton says.

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"The main thing I'm hearing is that a lot more people are applying for foundation grants than ever as the government cuts back."

mail follow-up appeals, are proving much more cooperative when reached by phone.

In an effort to diversify its support, Greenpeace plans a walkathon for next year and is exploring other licensing projects and donor services involving affinity credit cards as well as Greenpeace greeting cards, stationery, and wrapping paper. It also hopes to cultivate more support from foundations—a relatively new arena for the group.

Foundation support has been a disappointment for several organizations, including American Rivers.

"The main thing I'm hearing is that a lot more people are applying for foundation grants than ever as the government continues to cut back," says Pat Muñoz, director of foundation and workplace fund raising. "We're losing some of our

110,000 Charities Created in 3 Years, Study Finds

More than 110,000 charities were created in the United States from 1987 to 1990, according to data released by the National Center for Charitable Statistics of Independent Sector, a coalition of grant makers and charities.

In that period, non-profit organizations that specialize in helping animals registered the largest percentage increase among the more than two dozen types of charities identified by the center, more than doubling in number, to a total of 8,377.

States that saw the largest per-

centage growth of new charities were Mississippi, Illinois, North Carolina, and Florida, the center said.

The data show that other types of charities with large percentage increases were social-science organizations, up by 331, or 67.6 per cent, and international organizations, which rose by 1,102, or 57.7 per cent. Charities involved in arts, culture, and humanities increased by 5,776, or 16 per cent.

Two categories of charities showed declines in the period:

philanthropy and volunteerism organizations, down by 883, or 2 per cent, and youth-development groups, which dropped by 235, or 1.47 per cent.

Virginia Hodgkinson, vice-president for research at Independent Sector, noted that despite the growth in the number of animal-related groups, such organizations made up only 4,752, or about 4 per cent, of charities opening since 1987.

New charities involved in education and related activities were 14.1 per cent of the total. Some

8,777 new human-service organizations were created, representing nearly 8 per cent of all new charities.

Ms. Hodgkinson said she attributed the large percentage growth of new charities in some states to two factors: population increases and the fact that some states had small numbers of non-profits and could be expected to expand.

The statistics were derived from data that the center obtained from the Internal Revenue Service's 1990 master file of non-profits.

Independent Sector is examining the data as part of its effort to devise a National Taxonomy of Exempt Entities, a classification system for non-profit organizations that is now used by many private organizations and eventually will be used by the IRS.

More data on non-profits will be published early next year in the fourth edition of the coalition's *Dimensions of the Independent Sector*, a statistical profile of non-profit organizations.

Ms. Hodgkinson said the data and the taxonomy could be used by managers of non-profit organizations for strategic planning and by policy makers to determine the level and kinds of services offered by non-profits.

"By looking at these numbers, we can get trends of who is opening, who is closing, where the public dollars are going, and where new interests are," Ms. Hodgkinson said.

In some areas, she added, "there seems to be more talk than investment. Hopefully, a lot of us will learn how to better give out public dollars in the future."

—GRANT WILLIAMS

Net Changes by Type of Organization

	Number in 1987	Number in 1990	Net change	Percentage change
Arts, culture, and humanities	36,102	41,878	+5,776	+16.00%
Education	56,007	66,437	+10,430	+18.62
Environment	4,373	5,743	+1,370	+31.33
Animal-related	3,985	8,377	+4,392	+110.21
Health: general and rehabilitative	21,020	23,560	+2,540	+12.08
Mental health and crisis intervention	5,538	6,162	+624	+11.27
Diseases, disorders, and medical disciplines	6,320	6,972	+652	+10.32
Medical research	1,132	1,550	+418	+36.93
Crime and legal services	3,132	3,940	+808	+25.80
Employment and jobs	3,509	3,615	+106	+3.02
Food, nutrition, and agriculture	2,373	2,835	+462	+19.47
Housing and shelter	6,362	8,361	+1,999	+31.42
Public safety and disaster preparedness and relief	3,374	4,754	+1,380	+40.50
Recreation, leisure, and athletics	17,970	20,187	+2,217	+12.34
Youth development	16,013	15,778	-235	-1.47
Human service	28,682	35,244	+6,562	+22.88
International	1,910	3,012	+1,102	+57.70
Civil rights, social action, and advocacy	1,656	1,942	+286	+17.27
Community improvement	14,869	18,655	+3,786	+25.46
Philanthropy and volunteerism	43,304	42,421	-883	-2.04
Science institutes and services	3,689	4,326	+637	+17.27
Social-science institutes and services	490	821	+331	+67.55
Public affairs and social benefit	7,874	8,387	+513	+6.52
Religion-related	50,628	62,762	+12,134	+23.97
Membership benefit	593	970	+377	+63.58
Unknown	49,763	61,600	+11,837	+23.79

Net Growth State by State

	1987 charities operating in 1990	Total charities in 1990	Net change	Percentage change
Alabama	4,105	5,665	+1,560	+38.00%
Alaska	1,134	1,534	+400	+35.27
Arizona	4,177	5,575	+1,398	+33.47
Arkansas	2,759	3,758	+999	+36.21
California	43,614	56,751	+13,137	+30.12
Colorado	5,820	7,664	+1,844	+31.68
Connecticut	5,925	7,193	+1,268	+21.40
Delaware	1,240	1,547	+307	+24.76
District of Columbia	4,508	6,319	+1,811	+40.17
Florida	12,263	17,880	+5,617	+45.80
Georgia	6,477	9,221	+2,744	+42.37
Hawaii	1,896	2,479	+583	+30.75
Idaho	1,501	2,018	+517	+34.44
Illinois	15,281	23,415	+8,134	+53.23
Indiana	8,512	10,841	+2,329	+27.36
Iowa	5,587	6,700	+1,113	+19.92
Kansas	4,100	5,372	+1,272	+31.02
Kentucky	3,926	5,655	+1,729	+44.04
Louisiana	3,859	5,457	+1,598	+41.41
Maine	2,202	2,746	+544	+24.70
Maryland	6,951	9,034	+2,083	+29.97
Massachusetts	10,913	13,439	+2,526	+23.15
Michigan	10,898	14,370	+3,472	+31.86
Minnesota	8,115	10,039	+1,924	+23.71
Mississippi	1,963	3,044	+1,081	+55.07
Missouri	8,565	10,718	+2,153	+25.14
Montana	1,857	2,307	+450	+24.23
Nebraska	2,906	3,679	+773	+26.60
Nevada	1,210	1,715	+505	+41.74
New Hampshire	1,929	2,354	+425	+22.03
New Jersey	9,383	11,544	+2,161	+23.03
New Mexico	1,623	2,206	+583	+35.92
New York	29,525	36,421	+6,896	+23.36
North Carolina	7,921	11,662	+3,741	+47.23
North Dakota	1,530	+1,825	+295	+19.28
Ohio	17,044	21,572	+4,528	+26.57
Oklahoma	4,804	6,749	+1,945	+40.49
Oregon	5,237	6,763	+1,526	+29.14
Pennsylvania	15,675	19,699	+4,024	+25.67
Rhode Island	1,554	1,899	+345	+22.20
South Carolina	3,411	4,931	+1,520	+44.56
South Dakota	1,488	1,760	+272	+18.28
Tennessee	4,831	6,993	+2,162	+44.75
Texas	20,404	27,541	+7,137	+34.98
Utah	1,579	2,213	+634	+40.15
Vermont	1,508	2,004	+496	+32.89
Virginia	7,501	9,972	+2,471	+32.94
Washington	8,448	10,927	+2,479	+29.34
Wisconsin	8,077	9,840	+1,763	+21.83
West Virginia	2,256	2,897	+641	+28.41
Wyoming	1,011	1,277	+266	+26.31
Total	349,248	459,550	+110,302	+31.58%

Note: Figures are for organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code.

SOURCE: Independent Sector

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OPINION

Commentary and Letters

A New AIDS Issue for Grant Makers

By DENISE GRAVELINE

WHEN I TOLD my philanthropic colleagues that I was leaving the Robert Wood Johnson Foundation to work for a major science association in Washington, one said wistfully, "I guess that means you won't be working in AIDS anymore."

My reply didn't do much to dissuade him. Yes, I was leaving the foundation that provides the largest amount of private money for AIDS projects in the country and my place on the executive committee of Funders Concerned About AIDS. Despite that, I assured him, I'd stay involved.

But his message got through: If you're not doing something to raise money for AIDS projects, you're not on the epidemic's front lines.

As it turned out, AIDS was on my "to do" list as soon as I started my new job, but not for reasons either of us had anticipated. Among the people I was supervising was a person with AIDS—one who called in from the hospital on my first day of work and subsequently spent just two working days in the office between severe bouts of illness.

The medical problems were being handled by doctors, but it was left to me to manage the dwindling sick-leave days, the widespread rumors and misinformation passed around by worried friends, the parents anxious to know that their child would not be fired, and the benefits that had to be put in motion. Later, my job expanded to include notifying colleagues of the death of a co-worker and arranging bereavement counseling and a memorial service.

Oddly enough, many of my co-workers think that it

must have been my stint in AIDS philanthropy that prepared me to manage such a situation. My own experience tells me something different. I'm part of a new generation of Americans for whom AIDS is a risk inherited before we knew it was there. We were in high school when the virus first began infecting Americans; we graduated from college when the first federal reports came out; and now we're among the young professionals so often mentioned in statistics at meetings of grant makers—we are the ones the epidemic is killing off too early to see our careers through.

A crucial difference exists between my work in AIDS philanthropy and my work as the manager of a person with AIDS, and it lies in the direct impact a manager can have that a grant maker rarely can. Finding myself in the position of determining an employee's chances to earn a salary while ill and to hold on to sick leave and other benefits showed me just how strong a manager's impact can be. As a grant maker, we were not giving money to individuals, let alone taking responsibility for them.

That's why I believe that some of the most pressing battles in the epidemic will take place on the job. As medical advances improve our ability to treat AIDS-related diseases, more people with

AIDS will be kept well for longer periods of time—and they will be able to work longer than those who were diagnosed with the disease in the 1980's. But almost nothing is available to guide either employer or employee about ways to deal with AIDS. To really manage a person with AIDS, supervisors need more than videos, brochures, and research studies. Many of us need to take immediate, compassionate, and careful action—and that requires a sound

MY VIEW

**What we do not
need are any more
videos about how
to treat employees
and colleagues
with AIDS
compassionately—
we have plenty of
those, and they
work well.**

LETTERS

Why Volunteers Don't Belong on the Balance Sheet

TO THE EDITOR:

Susan Ellis makes a cogent and persuasive case for why "Volunteers Belong on the Balance Sheet" (October 8). Many of her arguments are valid. However, after spending more than 40 years in non-profit organizations, I differ with her conclusion and hope that volunteers will never have to be accounted for on my balance sheet.

Admitting that a completely accurate accounting would be impossible, Ms. Ellis states: "It's better to record the value of at least some of the time than none of the time." Wrong! Either way an organization will overstate or understate the value of its volunteers, creating

one more uncertainty about which staff, volunteers, and trustees can argue interminably without coming to a satisfactory resolution. We have better things to do.

The most important volunteers for most non-profits are the members of their boards of trustees, who often come from many different walks of life as well as varying social and economic strata. When attending meetings of the board, many come from different distances, usually spending their own money to get there. Some may earn several hundreds of thousands of dollars annually. Others, less than \$100,000.

Accounting for their meeting time alone would be a night-

mare. Given the personalities of many trustees, one can't just say attending a meeting is worth \$500. For some it may be only \$100. For others it may be \$2,500 or more. For some the cost of attending may be a subway token. For others it may involve a long flight across the country or from abroad. Finally, are they worth more if they come and speak than if they attend and remain silent, or remain for only part of the meeting?

For many educational institutions, alumni provide their largest pool of volunteers, and the range of functions they perform is almost the equal of the services the institution provides. For many schools and colleges

they help identify and recruit [students with] athletic prowess—a delicate item to translate into dollars—and for some they also seek out academic talent. (If a fee can be established for teaching a class, can one be determined for recruiting a quarterback?) They serve on a wide variety of committees, including search committees, building committees, finance committees, etc. I wonder if the value of these services can be calculated.

Finally, I suggest that any function which adds to the administrative and accounting responsibilities of any responsible non-profit is a disservice. There are already more forms, regulations, and deadlines than most